

# STATE OF COLORADO

## COLORADO DEPARTMENT OF HUMAN SERVICES

### OFFICE OF SELF SUFFICIENCY PROGRAMS Food Assistance Programs

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*Handwritten signature and date: 12/29/97*

December 16, 1997

Cynthia L. Johnson, Director  
Cash Management Policy and Planning Division  
Financial Management Service  
U. S. Department of Treasury Room 420  
401 14th Street S.W.  
Washington, D. C. 20227

Re: Comments on 31 CFR Part 208, Management of Federal Agency Disbursements;  
Proposed Rule

Dear Ms. Johnson:

The Colorado Department of Human Services (CDHS) would like to take this opportunity to provide comments and recommendations on Proposed Rule 31 CFR Part 208, Management of Federal Agency Disbursements. We commend the U. S. Department of Treasury for its efforts in providing federal payments through electronic funds transfers. CDHS implemented the Colorado Electronic Benefits Transfer Service (CO/EBTS) in February, 1997. Statewide roll-out of CO/EBTS will be completed in February, 1998.

CDHS and its designated contractor, Citibank EBT Services, have developed and implemented CO/EBTS as a payment system for public assistance benefits. The programs that have been included in the EBT project are the Food Stamp Program, Temporary Assistance for Needy Families (TANF), Old Age Pension, Aid to the Needy Disabled (AND), Aid to the Blind (AB), Low Income Energy Assistance (LEAP), Child Care, and Child Welfare. Payments are made to the various programs either through the Colorado Quest Card (a debit card instrument) for food stamps and cash, direct deposit of cash into a client or provider personal or business bank account, or in some instances, by check from Citibank.

From the initial planning of the CO/EBTS project, it has been CDHS's intent to allow for the addition of direct federal payments for unbanked recipients of federal payments, regardless of whether or not the recipient receives state benefits. Hence, a direct federal payment pricing structure was included in the Request for Proposal for bidders to respond to when submitting their proposals. Therefore, the winning bidder was aware of and responded to the requirement for providing direct federal benefits. As Colorado is part of the Western States EBT Alliance (WSEA), Citibank EBT Services is the contractor for Alaska, Hawaii, Idaho, Washington, and likely Nevada. The requirement and commitment to provide direct federal benefits is equally applicable to these states.

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It is our understanding that 31 CFR Part 207 provides the authority for the Department of Treasury to allow states which have an EBT system in place to nominate the state's contractor to add direct federal benefits to its EBT system. Colorado has formally notified the Department of Treasury of its nomination of Citibank EBT Services to develop and implement the system for direct federal payments. The planning process is currently under way between the state, contractor, and the Department of Treasury to add direct federal payments to the Colorado Quest card.

However, in the preamble of proposed rule 31 CFR Part 208, Paragraph E Section 208.5 Treasury discusses approaches for meeting the requirement of providing a solution to access federal payments through an account provided by Treasury. "Treasury plans to obtain such account services through a competitive process that will select one or more entities to act as Treasury's agent to provide these services to recipients that do not have, or do not choose to open, accounts at financial institutions of their own choice."

CDHS and Citibank EBT Services have developed account structures that meet the requirements of 31 CFR Part 208, whereby direct federal payments for all unbanked recipients of federal payments could easily be added to the Colorado Quest Card, thereby relieving Treasury of the necessity of procuring these services from a financial institution or other entity.

CDHS recommends that language be added to 31 CFR 208 to allow states to nominate its contractor to provide direct federal payments to all unbanked recipients for the following reasons:

1. The state has included the requirement for providing Direct Federal payments in its Request for Proposal, which was approved by the Department of Treasury prior to release.
2. The winning bidder has accepted this requirement by including a response to the requirement in its proposal.
3. The state contract includes the direct federal payment requirement. The contract has been approved by the federal government.
4. The state and the contractor have already developed the account payment structure.
5. This would allow the use of the same EBT card for all recipients of financial payments, providing consistency of account structure for both the state and the federal government.

In addition, CDHS would like to provide comments on the questions described in the preamble of the proposed rule at page 48721:

- Should Treasury make available a debit card based account?

**CDHS response:** Yes, an account should be made available. Treasury should delegate this responsibility to states and their designated EBT contractors.

- Is the cost of the account the most important factor or should the account be designed to meet other objectives?

**CDHS response:** Cost of the account is very important. However, costs would be reduced by utilizing existing state EBT programs.

- Should the account provide only a basic withdrawal with additional service charges for extra features or should the account offer a full range of services at a fixed monthly cost.

**CDHS response:** An EBT account should coincide with the account structure and services established by the state and contractor. If the recipient is in need of additional services they should consider opening a bank account at a financial institution.

- How many withdrawals should be included in the base price; other fees charged by ATM owners?

**CDHS response:** Fees and number of withdrawals should coincide with state EBT account structure. However, the federal government could offer one free ATM withdrawal. With the widespread use of surcharging by banks, ATM withdrawals will

likely seldom be free in practice. Legislation should be considered to prohibit surcharging to recipients of federal and state benefits.

- Should the account structure provide for additional deposits within the basic monthly service charge?

**CDHS response:** Yes, but only from federal government sources.

- Should the account provide for third-party payments, such as rent and utilities? How many and should they be priced in the basic monthly service charge?

**CDHS response:** No. If the recipient seeks additional services, they should open their own personal bank account.

- Should the account include a savings feature? How would it operate?

**CDHS response:** No. If the recipient seeks additional services, they should open their own personal bank account.

- How important is a broad geographic reach to meeting the access objectives; how should Treasury meet access needs in underserved areas?

**CDHS response:** It is the goal for most EBT states to provide national interoperability for recipients to access their benefits. This is the subject of major debate between states, contractors, retailers, and third-party processors as to how this can be accomplished and at what cost to whom. Treasury should coordinate with the National Automated Clearing House Association (NACHA) which is the entity to which all affected parties of this debate are members. In addition, EBT states have developed alternative solutions, as required by federal regulations, to provide adequate access to cash and food benefits.

- What type of access should the recipient be provided to access benefits from their account? Should there be any restrictions?

**CDHS response:** Recipients should be given the same access as provided through state EBT accounts. In Colorado, recipients can access their food benefits at authorized food stamp retailers. Cash benefits can be accessed through either Point of Sale (POS) or ATM machines. The recipient is charged \$.85 for each ATM withdrawal. If the ATM owner charges a surcharge, the recipient is charged this fee in addition to \$.85.

- If additional access is offered through arrangements with third parties, should the cost of this access be included in the pricing proposal in the competitive bid process?


**CDHS response:** No. Access to cash for direct federal payments should be the same as the basic EBT account. With a state's EBT contractor, a competitive bid would not be necessary.

- Which account design would provide opportunity for non-financial institutions to participate in the delivery of services to federal payment recipients?

**CDHS response:** State's that have selected non-financial institutions to develop and implement EBT systems have the capability of coordinating the financial settlement with sub-contracted financial institutions.

We appreciate the opportunity to comment on the proposed rule. If you have any questions, please call me at (303) 866-2535. Thank you for your cooperation.

Sincerely,



C. Mark Tandberg, Director  
Food Assistance Programs